

Message Text

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TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

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SUBJECT: COMMENTS OF U.S. DELEGATION ON DRAFT REPORT
FOLLOWING IS TEXT OF US STATEMENT REGARDING THE
CEPCIES REPORT.

THE DELEGATION OF THE UNITED STATES WISHES TO OFFER THE
FOLLOWING COMMENTS ON THE DRAFT REPORT OF CEPCIES TO CIES.
GIVEN THE NATURE OF CEPCIES ROLE IN PREPARING MATERIALS FOR
THE MINISTERIAL MEETING OF THE ECONOMIC AND SOCIAL COUNCIL;
IT IS THE OPINION OF THIS DELEGATION THAT THE CEPCIES REPORT
TO THE COUNCIL MUST ACCURATELY ANALYZE THE DEVELOPMENT
PROBLEMS OF THE HEMISPHERE SO THAT THE MINISTERS CAN FOCUS
THEIR ATTENTION ON THESE PROBLEMS. WHILE THERE ARE SOME
PORTIONS OF THE REPORT WITH WHICH WE HAVE LITTLE
DIFFICULTY THERE ARE, THROUGHOUT THE REPORT, A LARGE
NUMBER OF STATEMENTS AND INTERPRETATIONS WHICH WE THINK
SHOULD BE QUALIFIED. HOWEVER, WE DO NOT PROPOSE TO COMMENT
FURTHER ON THESE ASPECTS OF THE REPORT BECAUSE IN OUR VIEW
IT HAS A MUCH MORE FUNDAMENTAL DEFICIENCY.

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THE MOST SERIOUS PROBLEM WITH THIS REPORT IS THAT IT FAILS

TO PRESENT AN ADEQUATE ACCOUNT OF THE ECONOMIC PROBLEMS
FACING THIS HEMISPHERE AND THE FAILURE IS ATTRIBUTABLE

TO THE FACT THAT THE REPORT DOES NOT DEAL WITH ONE OF
THE FUNDAMENTAL ELEMENTS OF THE WORLD ECONOMIC SCENE,
NAMELY, THAT IN A PERIOD OF A LITTLE MORE THAN ONE YEAR
THE PRICE OF OIL HAS INCREASED BY 400 PERCENT. THE
REPORT OBSCURES THIS FACT IN THE FEW ALLUSIONS IT
MAKES BY REFERRING TO THE "OIL PRICES IN EFFECT SINCE
OCTOBER 1973" AND BY SUGGESTING THAT PETROLEUM PRICE
INCREASES WERE NO MORE SIGNIFICANT THAN INCREASES IN
OTHER COMMODITY PRICES.

BY FAILING TO DEAL WITH THIS BASIC FACT, THE REPORT
OVERLOOKS AND OBSCURES THE ECONOMIC CONSEQUENCES OF THE
INCREASE IN OIL PRICES. THUS SOME OF THE OBSERVATIONS
THAT THE REPORT MAKES ARE DISTORTED BY THE FAILURE TO
TAKE THIS FACT INTO ACCOUNT.

FACT?

1. IT IS A MAJOR CONTRIBUTING FACTOR TO THE RECESSION-
INFLATION PROBLEM OF THE DEVELOPED COUNTRIES TO WHICH THE
REPORT GIVES CONSIDERABLE ATTENTION.

2. IT IS A MAJOR CAUSE OF THE SERIOUS BALANCE OF PAYMENTS
PROBLEMS WHICH ARE BEING EXPERIENCED PARTICULARLY BY THE
SMALLER DEVELOPING COUNTRIES WHO ARE OIL IMPORTERS.
THESE ANALYTICAL CONSEQUENCES HAVE BEEN CLEARLY DEVELOPED
IN THE CEPIC'S COUNTRY REVIEWS OF MEMBERS SUCH AS
BARBADOS AND JAMAICA AND ARE SUBSTANTIATED BY STUDIES
AVAILABLE ON OTHER MEMBER COUNTRIES. REFERENCES TO
SPECIFIC COUNTRY PROBLEMS IN THIS RESPECT, WHICH APPEARED
IN THE FIRST DRAFT, WERE DELETED IN THIS REPORT.

3. IT IS A MAJOR CAUSE OF INCREASINGLY SERIOUS INTERNA-
TIONAL MONETARY PROBLEMS. THE RAPID ACCUMULATION OF
INTERNATIONAL MONETARY RESERVES BY THE OIL EXPORTING
COUNTRIES HAS POSED A SERIOUS OBSTACLE TO INTERNATIONAL
MONETARY REFORM.

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THESE ARE ONLY A FEW OF THE IMPORTANT ANALYTICAL
CONSEQUENCES OF THE FOURFOLD RISE IN THE OIL PRICE.
THIS REPORT FAILS TO DEMONSTRATE A RECOGNITION OF THE
FUNDAMENTAL IMPORTANCE OF THIS PROBLEM.

MOREOVER, THE FAILURE TO TAKE ACCOUNT OF THE OIL PRICE
INCREASE RAISES QUESTIONS AS TO HOW QUANTITATIVE MEASURES

USED IN THE REPORT SHOULD BE INTERPRETED. FOR EXAMPLE, THE DISCUSSION ON THE EXTERNAL TRADE OF LATIN AMERICA IS SUBJECT TO SERIOUS MISINTERPRETATION IF THE EFFECT OF OIL PRICE INCREASES IS NOT SPECIFICALLY CONSIDERED. ON PAGES 16 AND 17, REFERENCE IS MADE TO THE HIGHLY FAVORABLE TRADE BALANCES OF THE REGION AS A WHOLE IN 1973 AND 1974. THESE BALANCES WOULD LOOK SIGNIFICANTLY DIFFERENT IF THE EFFECT OF THE OIL PRICE INCREASE WERE REMOVED FROM THE DATA. ON PAGE 18, THE ENGLISH TEXT SAYS: "WHILE EXPORTS MORE THAN DOUBLED IN VALUE BETWEEN 1972 AND 1974, IMPORTS GREW AT A RATE WHICH, WHILE HIGHER THAN PREVIOUSLY, WAS WELL BELOW THAT FOR EXPORTS (SEE TABLE 4). AS A RESULT, THE SURPLUS FOR THIS GROUP (OF COUNTRIES) WHICH WAS U.S. 716 MILLION IN 1972, IS ESTIMATED AT U.S. 10,549 MILLION FOR 1974." HOW WOULD THE SURPLUS LOOK IF THE EFFECT OF OIL PRICE INCREASES WERE REMOVED FROM THE DATA?

NO ATTENTION HAS BEEN PAID TO THE CONSEQUENCES OF TRADE DEFICITS ON THE ECONOMIC DEVELOPMENT POLICIES OF SMALL DEVELOPING COUNTRIES. HOW CAN THEY MANAGE THESE DEFICITS? THEY MAY BE ABLE TO BORROW MONEY TO COVER INCREASED DEFICITS, BUT CAN THEY DO THAT INDEFINITELY? IS THIS NOT A PROBLEM WHICH THE CIES SHOULD ADDRESS?

THE IMPACT OF THIS FOURFOLD INCREASE IN THE PRICE OF OIL IS FELT BY ALMOST EVERY MAN IN THE STREET. THE FACT THAT A FORMAL REPORT OF CEPICIES TO CIES MINIMIZES THE SIGNIFICANCE OF A FACT WHICH IS SO WIDELY KNOWN RISKS GENERATING AN UNFAVORABLE OPINION ON THE QUALITY OF THIS REPORT. THE CEPICIES REPORT TO THE COUNCIL IS A HIGHLY PUBLIC DOCUMENT. IT IS READ BY THE INTERNATIONAL AGENCIES AND BY COOPERATING OBSERVER

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COUNTRIES. IT IS STUDIED IN COLLEGES AND UNIVERSITIES. THUS THERE ARE SERIOUS CONSEQUENCES TO PRODUCING A REPORT WITH SUCH INADEQUACIES AND TECHNICAL DEFICIENCIES.

THE US DELEGATION BELIEVES THAT THE DEVELOPMENT PROBLEMS OF THE HEMISPHERE ARE DIFFICULT AND THE DEVELOPMENT NEEDS URGENT. IT IS THE SPECIFIC RESPONSIBILITY OF THE ECONOMIC AND SOCIAL COUNCIL TO STUDY THOSE PROBLEMS AND ASSESS THOSE NEEDS. IT FOLLOWS THEREFORE THAT THE REPORT WHICH CEPICIES MAKES TO THE ECONOMIC AND SOCIAL COUNCIL MUST IMPARTIALLY AND ANALYTICALLY SET FORTH THOSE PROBLEMS AND THOSE NEEDS. TO ACHIEVE THIS OBJECTIVE, THE REPORT MUST DEAL SQUARELY WITH THE PROBLEMS WHICH AFFECT THE HEMISPHERE, MUST CAREFULLY ANALYZE THE PRINCIPAL CAUSES

OF THE PROBLEMS AND INTERPRET THE DATA IN THE LIGHT
OF THESE FACTS AND ANALYSES. UNLESS THE REPORT OF
CEPCIES TO THE ECONOMIC AND SOCIAL COUNCIL IS OF THIS
TECHNICAL QUALITY IT FAILS TO PROVIDE THE MINISTERS
WITH THE KIND OF PROFESSIONAL DOCUMENT WHICH THEY NEED.
THE U.S. BELIEVES THAT THIS DRAFT REPORT FAILS TO DO
THAT. FOR THESE REASONS MY DELEGATION COULD NOT APPROVE
THIS REPORT AS IT NOW STANDS. INGERSOLL

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